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A rating system to initiate incentives on corporations' sustainability transparency

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Abstract: Today's consumers are more conscious about sustainability and demand transparent information from corporations about their products and practices. Yet corporations are hardly disclosing enough information to help consumers in their purchase decisions. This research in progress is an investigation to address how corporations are given an incentive to brand themselves by being transparent about sustainability. The action research method is used leading to the development of an MVP and a rating system named "transparency rating" addressed and based on knowledge from current literature as well as feedback from consumers and corporation owners. To support the rating solution, thirteen semi-structured interviews have been conducted with consumers and corporations upon which qualitative data was drawn and thematic analysis was used to refine and redefine the rating system. The transparency rating proposed is a tool that can potentially incentivize corporation owners to share their information transparently and be helpful in consumer purchase decisions.

Keywords: Consumer Purchase Decisions, Corporations' Sustainability Transparency, Rating System, Sustainability Footprint, Transparency Rating

1 Introduction

Due to consumers' plethora of product options, they demand transparent sustainability information regarding corporations' products, manufacturing, and supply chains to help them in purchase decisions. As Bhadduri & Ha-Brookshire (2011) state today's consumers are getting more "...conscious about their society and environment, demanding transparent and sustainable products." (p. 135). The main drivers for sustainability as James (2020) mentions are government policy and business pressure as the top-down and bottom-up drivers respectively, thus corporations are sandwiched between change drivers that influence the adoption of Corporate Social Responsibility (CSR) and sustainability strategy. Although the increasing demand for transparency in the global supply chain, the gradually arising awareness of the environment, and communication technology advancements are reasons why maintaining the secrecy of corporate practices has become difficult and risky

(Carter & Rogers, 2008; Bhadduri & Ha-Brookshire, 2011, p. 136), many corporations have no or low incentive to be transparent about their information, if it is not branded to support consumers' purchase decisions.

2 Research Methodology

The methodology used is action research (Mathiassen, 1997), where we are driven by the rationalities that drive practice. Thirteen semi-structured qualitative interviews were conducted with consumers and corporation owners with open-ended questions based on which thematic analysis was drawn. Six corporation owners and seven consumers were voluntarily addressed with open-ended qualitative questions, where data was collected in thematic templates and notes. To experiment with the assumptions, an MPV was developed for our case study through which, the idea of using a rating system is tested and developed to incentivize corporations to share their company, brand, product, and production information (c.f. Figure 2), where (1) corporations can disclose their information and be transparent regarding sustainability aspect of their practices, and (2) conscious consumers conveniently have easy access to information they seek to facilitate them in their purchase decision. To this end, the following research question was formulated:

How to develop an online platform to support consumers' purchase decisions driven by corporations being transparent about their sustainability footprint? And more importantly, how are corporations given an incentive to brand themselves by being transparent about sustainability?

As a starting point, we investigate current supporting literature. In the next step, we discuss the MVP, and subsequently, a transparency rating is introduced using a gamification system as a tool for evaluating the amount of information that corporation owners transparently share about their sustainability footprint. Insights from interviews are discussed in summary and finally, findings are discussed following by research results and conclusion.

3 Information Transparency addressing consumers' concerns

Zhou et al. (2018) address the lack of information transparency as the top 10 factors leading to consumers' abandonment of online purchases, whereas perceived information transparency significantly increases consumers' online purchase intentions (p. 912). According to labelinsight.com, 89 % of consumers get through detailed information on a product if it is provided online. Consumers decide about a brand's transparency based on the availability of a product's complete list of ingredients (62 %), English description of ingredients (53 %), certifications (48 %), and nutritional information (47 %) (Ibid). Furthermore, Consumers' demands have changed, and the supply of information transparency has to evolve along with it. As a result, consumers' perception of corporations' sustainability footprints often affects their choices through which they can either support or disapprove of a corporation's practices. A study on CSR shows that 92 % of Americans are more likely to trust a company that supports social or environmental issues (Butler 2018). Therefore, consumers' support can be incentivizing for corporations' transformation towards incorporating (more) sustainability-oriented practices.

4 Corporations' business transparency and its incentivizing advantages

Business transparency of corporations regarding their practices and sustainability footprints can be essential for consumers' purchase decisions. Transparency, as referred to in this paper, is the disclosure of information in a way that is conveniently and publicly accessible. Kappel, (2019) refers to business transparency as being open, honest, and straightforward about company operations. Seketa (2019) argues that transparency is not a destination but a commitment to share information. Consequently, consumers value transparency as being honest to them, and as Craven (2015) mentions; consumers will be far more forgiving of a company's mistakes if it has a history of being forthright with all its interactions. Khosroshahi et al. (2019, p. 1) state that more demand and supply chain profit can be achieved with production transparency, and a higher level of greening degree for a product leads to higher prices and more demand for the associated product. Doorey (2011, p. 600) mentions that Nike and Levis disclosed their factory lists because they perceived the value of transparency to be greater than any risk of it.

Sustainability transparency connecting conscious consumers with transparent corporations

By sustainability transparency, we mean transparency about sustainability aspects of corporation information, which comprise environmental, economic, and social information according to Stewart & Niero (2018, p. 5). Sustainability footprints consist of "the use of carbon footprints, water footprints, ecological footprints, and social footprints" (James, 2020) Craven states that today's savvy consumers seem to perceive skepticism as a default setting for corporations withholding or cleverly reshaping information. To build brand loyalty, corporations need to build trust (Craven, 2015) which is tied to transparency. Kappel (2019) mentions that 94 % of consumers would be loyal to a transparent brand, and the benefits of transparency in business can range from increasing employee retention to boosting sales. In the information age, consumers demand stronger communication and transparency and if a business does not provide it, there is a risk of losing the support of the consumers which is why transparency should not be considered as an afterthought or a marketing tactic to intermittently switch to, as this is not an effective way to build trust (Ibid). Therefore, the authors of this paper have in an earlier paper (Iranpour & Rosenstand 2020) mentioned the need for an online transparency platform that digitalizes the whole process of inserting, keeping, saving, and sharing information transparently with consumers.

5 MVP and transparency rating as an incentivizing gamification tool

Introducing and developing the transparency rating


Transparency rating was created as a tool to measure the amount of information a corporation discloses on the MVP. The advantages we got through using this rating has been to incentivize corporation in firstly sharing their information, secondly sharing as much as they possibly can, and thirdly rethinking and reconsidering their practices and production processes. The rating system devised to incentivize corporations to disclose their sustainability footprint information about their practices and products is named "Transparency

Rating". In the MVP, transparency rating was based on three dimensions of perceived information transparency from the consumer's side, according to Zhou et. al (2018, p. 914): (1) Product transparency, (2) Vendor transparency, and (3) Transaction transparency. These three dimensions, however, were given based on a framework of a B2C e-commerce platform. Considering the business model of the MVP, it was not based on selling the products but more on redirecting the consumers to the corporation's own website to buy the product directly from them, therefore transaction transparency did not make sense to be considered in the transparency rating, as there were no transactions. On the other hand, vendor transparency also needed to be changed as the platform also had a focus on the individual corporation as having an individual entity and brand, thus the information needed to be defined and addressed according to the corporation and brand which is elaborated below.

MPV

An MVP has been developed in the form of an online transparency platform based on which we examined corporations' incentives on their willingness to share information about their products and practices. For eight months after the MVP's launch corporation owners submitted their product information along with their product and brand details which made the product page, Figure 1. However, during the first eight months of launch, we observed that most of the corporations we approached were reluctant to share their information transparently and declined to do so. On the other hand, corporations that had joined by sharing their information were not disclosing considerably compared to what they had on their own websites. Although, both the recent conscious consumerism and product transparency movement justify the need for transparent information sharing, the platform is developed to bridge the gap between the consumer's expectations and the information and allows the corporation owner to share information that is accessible to the consumers.

We created a transparency rating system (cf. Figure 1). In short, the more sustainability-related information disclosed, the higher the rating.



Brands: Happy Carrot Skincare

CARROT HERO BALM

Our Transparency Rating:







★★★★☆
59 / 100 points

BUY

Product Code: 00012

Categories: Baby, Baby Care, Beauty & Personal Care, Face, Face Balm, Happy Carrot Skincare, Products, Skin Care

Tags: Beauty and Personal Care, Cruelty Free, Face Balm, Face Care, Fragrance free, Happy Carrot Skincare, Skin Care, Vegan

Description **About the company** Reviews

ABOUT THE COMPANY

At Happy Carrot Skincare, we like to keep our range of plant-based skincare fun, simple and sustainable. We focus on ingredients that are amazing for combination/dry/oily skin which is also great for the planet. Our skincare superheroes are extremely nourishing and calming for even troubled skin, and deliberately fragrance-free. We keep all our formulas to a minimum of 10 ingredients that are mostly upcycled from food waste in Europe. Our products are always vegan and cruelty-free and Happy Carrot Skincare is a Vegan Founded business.

PRODUCTION

We outsource manufacturing so that we fully comply with all EU regulations. Our products are handmade in small batches by Aventura Cosmética, a small cosmetics laboratory in Madrid, Spain.

Search by a brand:

Brands

Search by a country:

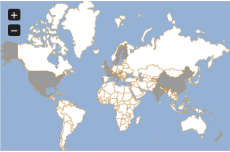


Figure 1 The product page and the transparency rating in the MVP, containing the transparency rating (Source: Zaleha et al., 2020, p. 58, edited version)

Theory on important aspects of sustainability transparency in purchase decisions has been directly incorporated into the rating system. Based on the current knowledge from the literature and insights out of interviews regarding the MVP, we investigated consumer expectations and information demands to propose a comprehensive list of questions to ask from corporation owners based on which the transparency rating can be determined. By investigating current literature and interview insights, we could refine and redefine the specific information based on which we devised a new transparency rating thus in the new version of the platform, we have unfolded the scope of questions we ask in four categories; (1) Company information, (2) Brand information, (3) Product information and (4) Production information, Figure 2 which is an effort to make a proper match between consumer expectations from corporations (Table 1) and the information corporation owners are willing to share; however, the new rating system is not integrated yet in the new website. Figure 2 illustrates the hierarchy of corporation information that leads to efficient information transparency.

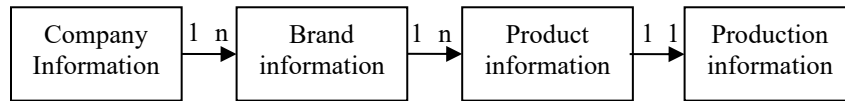


Figure 2 The hierarchy of enclosed corporation transparency, Source: the authors

Each company can have more than one brand and each brand can have more than one product, whereas each product has its own production information; therefore, multiple products from the same brand and multiple brands from the same company can have a different rating; however, the identical company and brand information is not needed to be submitted across brands and product. One of the findings was that a significant number of corporation owners reacted to this rating by taking action to disclose more information. From 43 corporation on board at the time of launching the transparency rating, eight of them reacted by asking how they could increase their transparency rating and eventually disclosed more information about their supply chains and practices with this knowledge that the more transparent the corporations are the more transparency stars they accomplish to brand their products. More corporation owners; however, reacted over time by comparing their transparency ratings with the others.

Interviews are analyzed and the notions are extracted into Table 1. Using the transparency rating, while having access to information about the company, brand, product, and production, consumers are empowered to base their purchase decision on sufficient knowledge, and corporations can be motivated not only to disclose information about their products and practices but also to rethink their current practices and be incentivized to transition to more sustainability-oriented practices in an aim not to lose consumers' trust as consumers get more aware and more conscious about sustainability in their purchase decisions.

Table 1 Consumer and corporation owner insights

<i>Persona</i>	<i>Country</i>	<i>Gender</i>	<i>Job</i>	<i>Consumer expectations from corporations</i>
1	Romania	Female	Graphic designer	<ul style="list-style-type: none"> • Working conditions • No plastic material usage • Packaging material
2	UK	Female	Counselor	<ul style="list-style-type: none"> • Local companies • Ingredients and allergens • Vegetarian/vegan preferences • Transportation systems
3	Argentina	Male	Programmer	<ul style="list-style-type: none"> • No animal cruelty • The origin of material/ingredients • Small businesses/brands
4	USA	Female	Environmental coordinator	<ul style="list-style-type: none"> • Recycled materials
5	Brazil	Female	English Teacher	<ul style="list-style-type: none"> • Ethical and sustainable production

				<ul style="list-style-type: none"> • Sustainability and raw material usage (sustainable source) • No child labor • Companies should be transparent about race diversity • Reused materials • Chemical or natural ingredients • Find it hard to trust what companies claim
6	USA/ UK	Male	Handyman	
7	Sweden	Female	Music Composer Corporation owner	<ul style="list-style-type: none"> • Social media pages for companies • Supplier disclosure
8	India	Female	Data Analyst	<ul style="list-style-type: none"> • Ingredients that are harmful to life underwater • The water footprint of products • The ethical aspects of business
9	India	Female	Corporation owner	<ul style="list-style-type: none"> • Mass production or custom-based production
10	France	Male	Corporation owner	<ul style="list-style-type: none"> • Transportation systems used • Waste streams • Quality assurance
11	Portugal	Female	Corporation owner	<ul style="list-style-type: none"> • Organic materials/ingredients
12	UK	Female	Corporation owner	<ul style="list-style-type: none"> • Locally made and supplier info • Ingredient list
13	UK/ France	Female	Corporation owner	<ul style="list-style-type: none"> • Ethical and social aspects of business

Source: The authors.

6 Conclusion

Throughout this research in progress paper, we addressed the research question “*How to develop an online platform to support consumers' purchase decisions driven by corporations being transparent about their sustainability footprint? And more importantly, how are corporations given an incentive to brand themselves by being transparent about sustainability?*” through investigating current literature, developing an MVP and based on thirteen qualitative interviews regarding the impact of the MVP, summarized in Table 1; qualitative insights collected from thirteen semi-structured interviews with corporation owners as well as consumers, by finding a match between what corporations are willing to reveal and what consumers expect, based on which we proposed four stages of information sharing on the platform.

There have been qualitative interviews conducted with consumers and corporation owners to develop insights based on the iterative process of developing a system for an efficient and convenient way of sharing information publicly accessible for consumers. -The core contribution of this paper is on introducing an incentivizing mechanism for corporations to be transparent about their sustainability footprint. Even though the platform does not exclude corporations with non-sustainable products and/or practices from more sustainable ones, we see that corporations with more inclination towards sustainable practices have been sharing more information compared to their less sustainable counterparts. Thus, an implication is building motivation for less sustainable corporations to act towards transitioning to more sustainability-oriented and environmentally conscious practices.

The study illustrates that a transparency rating system that impacts consumer purchase decisions can also incentivize corporations to be transparent about their sustainability footprint. The MVP was however not implemented based on including all the aspects of information transparency, and to this end, a new prototype has to be developed and tested with more corporations and consumers, also to generate a valid quantitative dataset.

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Areas for feedback & development

Please, provide any feedback and knowledge addressing the gamification system used in existing platforms between consumers and product corporations.

Please, share experience about existing platform solutions and how they influence purchase decisions of consumers regarding the information they look for in order to trust a corporation's products and claims.